



## **REMUNERATION POLICY RELATING TO THE DIRECTORS OF VISCOFAN, S.A.**

(Free translation from the original in Spanish, in the event of discrepancy, the Spanish-language version prevails).

## 1. INTRODUCTION

This document sets out the remuneration policy for the members of the Board of Directors of Viscofan, S.A. (hereinafter, Viscofan, the Company or the Group). The remuneration policy (hereinafter, the Policy) contains the following sections:

- Principles of the Policy.
- Characteristics of the remuneration system for Directors performing executive functions, including the objectives and metrics of variable remuneration, ex-post adjustments, the table with all remuneration components and the summary of the main contractual conditions of executive Directors.
- Characteristics of the remuneration system for Directors in their capacity as such, including the maximum amount of the annual remuneration to be paid to all Directors and a table with the different remuneration items to be received by Directors.
- Remuneration policy applicable to new Directors.
- Validity of the remuneration policy.

This Policy will be put to a binding vote at the General Shareholders' Meeting as a separate item on the agenda.

## 2. PRINCIPLES OF THE REMUNERATION POLICY

The combination of talent and commitment of the members of the Board of Directors is one of the pillars of Viscofan and, to this end, the remuneration policy is determined to attract, retain and engage the best professionals and thus achieve the Company's long-term objectives. In addition, the economic environment, the Company's profits and strategy, legal requirements and recommendations on good corporate governance are taken into account.

The general principles underlying the Directors' remuneration policy are as follows:

<b>Alignment with the interests of shareholders</b>	The design of the remuneration policy is reviewed periodically to ensure alignment between the achievement of results and the creation of shareholder value.
<b>Objectiveness</b>	Remuneration is assigned in accordance with objective criteria in an equitable manner for all Directors, taking into consideration the duties and responsibilities attributed to each Director.
<b>Proportionality</b>	The remuneration levels are appropriate to the importance of the Company, its economic situation at all times and the market standards in comparable companies.

<b>Suitability</b>	The remuneration policy is adapted to the composition of the Board, the amounts are sufficient to reward their qualification, dedication and responsibility, guaranteeing due loyalty and connection with the Company, but without compromising the independence of its members.
<b>Transparency</b>	Detail per concept, assignment criteria and individual breakdown is published in the annual remuneration report and submitted to the advisory vote of the General Shareholders' Meeting.

As part of the continuous improvement plan for the remuneration policy, the Appointments and Remuneration Committee periodically reviews the remuneration policy in the light of the following factors, among others:

Internal factors	External factors
Strategic plan and corporate objectives	Opinion of shareholders and institutional investors
Remuneration conditions of the management team	Market practices of comparable companies
Internal regulations of the Company	Good governance recommendations
	Legislation in force at all times

### 3. REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

#### 3.1. Characteristics of the remuneration of executive Directors

In order to ensure that the Company has a consistent remuneration policy throughout the organisation and that it is vertically aligned with the business strategy, the principles and main elements of the remuneration policy for executive Directors are similar to those of Viscofan's senior management.

In this respect, the principles applicable to the remuneration of executive Directors, in addition to those established in section 1 above, are as follows:

- The remuneration takes into account parameters based on the achievement of Group objectives, including financial objectives aligned with the multi-annual strategic plan and annual objectives, and strategic non-financial objectives, as well as personal performance.
- Maintaining a reasonable balance between the different components of fixed (annual) and variable (annual and long-term) remuneration, which reflects a suitable assumption of risks combined with the achievement of defined short and long-term objectives, linked to the creation of sustainable value.

The Appointments and Remuneration Committee periodically reviews that the remuneration package for executive Directors should be competitive with the market practices of entities comparable to Viscofan. In carrying out this analysis, the Committee may have the support of external expert compensation advisers.



### **3.2. Objectives and metrics linked to variable remuneration**

The process carried out by the Appointments and Remuneration Committee to analyse, select and propose objectives and metrics to determine the variable remuneration of executive Directors takes into account the Group's strategic priorities, both in the short and long term, set out in the Strategic Plan approved by the Board of Directors.

For both annual variable remuneration and long-term variable remuneration, a combination of quantitative and qualitative targets are set, which can be financial and non-financial. In addition, personal performance is also valued in the annual variable remuneration.

The main characteristics of the objectives are as follows:

- They are reviewed periodically to ensure that they are sufficiently demanding.
- They are measurable and quantifiable, the weightings and levels of achievement of which are approved by the Appointments and Remuneration Committee at the beginning of the year, taking into account, among other factors, the economic environment, the strategic plan, historical analyses, the Group's budget and investor expectations.
- During the measurement period, they are regularly monitored by the Appointments and Remuneration Committee.
- At the end of the measurement period, the Appointments and Remuneration Committee evaluates the final degree of compliance.

In any event, the Company will detail in the Annual Report on Directors' Remuneration the specific objectives established for the variable annual remuneration and for the long-term incentive plans in force.

### **3.3. Ex-post control of variable remuneration ("Clawback")**

Taking into account that it is within the jurisdiction of the Appointments and Remuneration Committee, by virtue of the functions established in the Bylaws and the Regulations of the Board of Directors, to propose to the Board of Directors the remuneration policy and the individual remuneration of executive Directors, it may request the Board to cancel or refund the payment of the annual and/or pluriannual variable remuneration of executive Directors if the following circumstances occur within the twelve months following the payment of said remuneration:

- Significant fall in consolidated net profit (more than 50%).
- Serious non-compliance by the beneficiary of the internal rules, including, in particular, risk-related rules.
- Material reformulation of the Group's financial statements, when considered by the

external auditors, except when it is appropriate according to a modification of the accounting regulations.

In addition, the Appointments and Remuneration Committee may propose to the Board of Directors that adjustments be made to the elements, criteria, thresholds and limits of the variable annual or pluriannual remuneration in exceptional circumstances due to extraordinary internal or external factors or events. The detail and justification of these adjustments will be included in the corresponding Annual Report on Directors' Remuneration.

### 3.4. Table on the remuneration policy for executive Directors

	Purpose	Limits	Operation
<b>Fixed Remuneration</b>	Reward based on the level of responsibility and the professional trajectory.	<p><b>Amount</b></p> <p>Chairman: €585,000</p> <p>General Managing Director: €450,000</p> <p><b>Updating fixed compensation</b></p> <p>No significant changes are expected during the term of the Policy. In any case, the Board of Directors may review this remuneration annually in case it is necessary to adjust it, depending on the level of responsibilities assumed at all times by executive Directors, the evolution of the Company, the corresponding market analysis and the evolution of macroeconomic indices such as the CPI. This adjustment of the fixed remuneration will always follow the criteria of prudence and moderation that characterise Viscofan's remuneration policy.</p> <p>Updating that takes place in the terms described above must always be motivated by the Appointments and Remuneration Committee and must be duly reported in the Annual Remuneration Report for approval by the General Shareholders' Meeting.</p>	It is determined taking into account the content of the executive functions associated with the position. The fixed remuneration paid on the market by comparable companies is also valued.
<b>Remuneration for membership, dedication and attendance at the Board of Directors meetings.</b>	Remunerate the responsibilities of the role of Director and dedication to the Board of Directors.	<p><b>Amount</b></p> <p>Chairman: €160,000</p> <p>General Managing Director: €80,000</p> <p>Nonetheless, this remuneration shall be subject to the maximum limit established for the remuneration of the Directors in their capacity as such (see paragraph 4 below).</p>	In accordance with the remuneration policy of the Directors in their capacity as such described in paragraph 4 below.
<b>Annual Variable Remuneration</b>	Incentivise the achievement of financial objectives, aligned with the Strategic Plan, strategic non-financial objectives and individual performance	<p><b>Annual Variable Remuneration Objective (target)</b></p> <p>70% of the fixed annual remuneration. It will apply in the event of 100% achievement of the pre-established targets.</p> <p><b>Maximum Annual Variable Remuneration</b></p> <p>120% of the Annual Variable Remuneration Objective. It will apply in the event of maximum overfulfilment of the pre-established targets.</p> <p><b>Metrics</b></p> <p>It is linked to the accomplishment of a combination of economic-financial, industrial, operational and qualitative objectives, specific, predetermined and quantifiable, aligned with corporate interest and in line with the Strategic Plan of the Viscofan Group.</p>	<p>Corresponds to the Appointments and Remuneration Committee approval of the targets, at the start of each fiscal year, and the evaluation of their achievement, once it is completed.</p> <p>In order to guarantee that the annual variable remuneration is effectively related to the professional performance of the beneficiaries, when determining the level of compliance with the quantitative objectives, the positive or negative economic effects derived from extraordinary events that could introduce distortions in the results of the evaluation are eliminated.</p> <p>The achievement scale, set at the beginning of</p>

	Purpose	Limits	Operation
		<p>Corporate objectives have a weight of at least 50% in the incentive as a whole. They are composed by metrics that guarantee the appropriate balance between the financial and operational aspects of the Company management, as well as others related to the Company's share value.</p> <p>In turn, the quantifiable objectives specific to each executive Director will have a maximum weight of 30%.</p> <p>The weight of the performance evaluation shall not exceed 20%.</p>	<p>each fiscal year, includes a minimum threshold below which no incentive is paid and an objective level ("target") that corresponds to 100% achievement of the targets. For intermediate levels, it is determined by linear interpolation.</p> <p>In the event that the Committee determines that the targets set at the beginning of the fiscal year have been exceeded and that a level of overfulfilment has been achieved, an additional incentive may be paid that will not exceed the maximum incentive indicated.</p> <p>To calculate the variable remuneration amount, the degree of achievement and the weighting of each of the targets will be considered—individual and/or global—and the internal rules and procedures for the evaluation of targets established by the Company for its Directors will be applied.</p> <p>The annual variable remuneration is paid in full in cash within 30 days of the date of preparation of the annual accounts.</p>
<b>Long-term Incentive Plan</b>	Reward the achievement of the strategic targets of the Viscofan Group in the long-term, the sustainability of the results and the creation of sustainable value for the shareholder.	<p><b>Annualised Target Incentive</b> 70% of the fixed annual remuneration.</p> <p><b>Maximum Incentive</b> 120% of the Annualised Target Incentive.</p> <p><b>Metrics</b> Economic/financial and operational targets of the strategic plan, value creation targets for shareholders, as well as non-financial targets. Some of the metrics may be measured relatively to a comparison group of competing companies.</p> <p>The weight of non-financial targets shall not exceed 20%.</p>	<p>The period for measuring the targets shall be at least three years.</p> <p>The Plan may be paid in cash and/or include award of shares, share options or remuneration rights linked to the value of these, provided that the targets established for that purpose are met.</p> <p>The achievement scale, set at the beginning of the Plan, includes a minimum threshold below which no incentive is paid and a maximum level, if the targets have been exceeded. For intermediate levels, it is determined by linear interpolation.</p> <p>The Committee performs an annual monitoring of the targets, and once the Plan is completed, will determine the degree of achievement. In this evaluation function, the Committee has the support of the Finance Division, which provides information on the audited results. Both for setting targets and assessing whether they have been met, the Committee also considers any associated risk.</p> <p>When determining the level of compliance with the targets, it eliminates any positive or negative economic effects derived from extraordinary events that could cause distortion in the results of the assessment.</p>
<b>Three-yearly variable remuneration 2016-2018</b>		The cash incentive corresponding to the 2016-2018 triennial variable remuneration will be paid in 2019, if applicable.	The Appointments and Remuneration Committee shall evaluate the degree of achievement of the targets established in the three-year variable remuneration plan and, taking into account the weightings of each metric, shall determine the amount to be paid to the executive Directors.

### 3.5. Other remuneration elements

The executive Directors can be beneficiaries of certain payments in kind that include, among others, a company vehicle, a premium payment for life insurance and health care policies, of which the executive Directors as well as members of the family unit that live with them may be beneficiaries, the contribution to social security systems, in line with the remuneration policy of the Group's senior management. Such payments shall not exceed 20% of their fixed annual remuneration.

The remuneration policy for executive Directors does not contemplate the granting of other benefits, credits, advances and guarantees established by the Company.

### 3.6. Ongoing share ownership commitment

The executive Directors must keep hold of, while maintaining their status as such, a number of shares equivalent to two annuities of gross fixed remuneration.

To achieve this objective, a period of four years is established, calculated from the start of the effectiveness of the Policy or from the appointment in the case of new Directors.

The valuation of the shares in the portfolio at the date of approval of the Remuneration Policy will be made at the closing price of the share on the date of the General Shareholders' Meeting that approves this Policy.

### 3.7. Executive Directors contract conditions

The contracts that currently regulate the performance of the functions and responsibilities of executive Directors are of a commercial nature and include the clauses that in practice are usually included in this type of contract. These contracts have been proposed by the Appointments and Remuneration Committee and approved by the Company's Board of Directors.

The main indemnity, exclusivity and non-competition clauses of the executive Directors' contracts are summarised below:

	Description
Notice	Agreed 6 months' notice. In case of breach of the term, the breaching party shall indemnify the other party with the remuneration corresponding to the unfulfilled period of notice.
Indemnification in the event of termination of the contractual relationship and commitment to non-compete	The indemnity shall be equivalent to two annuities of the fixed remuneration. Included within this amount is compensation for the two-year non-compete commitment once the contract is terminated. In case of non-compliance with the non-compete commitment, the executive Director must return the received compensation and pay three times its amount in damages. Compensation will not proceed if the dismissal is motivated by gross misconduct, wilful misconduct and culpable conduct of the executive Director in the performance of their duties. On the other hand, in case of termination of the relationship at the behest of the executive Director, the latter



	Description
	<p>will be entitled to receive compensation of two annuities of fixed remuneration in the following scenarios:</p> <p>(i) Substantial modification of the conditions for the rendering of services that are markedly detrimental to the executive Director.</p> <p>(ii) There is a substantial modification in the conditions for the rendering of services of the executive Director as a result of a significant change in ownership of the Company that has the effect of renewing the governing bodies of the Company or in the content and approach of its main activity, provided that the termination occurs within three months after the production of such changes.</p>
<b>Confidentiality</b>	<p>The Regulations of the Board of Directors establish that the Directors shall keep secret the information, data, reports or background information to which they have had access in the performance of their duties.</p> <p>The duty of secrecy shall persist after they have ceased to hold office, for whatever reason, and they may only be removed from office by resolution of the full Board.</p>

#### 4. REMUNERATION POLICY FOR DIRECTORS IN THEIR CAPACITY AS SUCH

The specific principles for establishing the remuneration of Directors in their capacity as such are as follows:

- Relationship with effective dedication;
- Association with the responsibility and development of their duties as Directors.
- Absence of variable components of their remuneration in the interest of their full independence.
- Incentive character without the amount conditioning their independence.

Without prejudice to the remuneration they may receive for their executive duties, in accordance with the Bylaws, the annual amount of the remuneration to Directors in their capacity as such, for all the items, will not exceed the limit of 1.5% of the annual consolidated cash profit before taxes. The previous remuneration is, in any case, the maximum amount, corresponding to the Board itself, the proposed distribution of its amount between the Directors.

The following is a breakdown of the elements of the remuneration policy of the Directors in their capacity as such.

	Purpose	Annual amount	Comments
<b>Fixed remuneration for membership on the Board</b>	Appropriately remunerate the responsibility and dedication required by the position, but without reaching levels that compromise the independence of the Director.	€80,000 per Director.	The Chairman of the Board has a specific remuneration and does not receive this allocation.
<b>Fixed remuneration for the Chairman of the Board.</b>	Appropriately remunerate the additional dedication the position requires, the level of responsibility, skills and experience required to perform the role.	€160,000.	-

	Purpose	Annual amount	Comments
<b>Attendance fees for Board of Directors meetings</b>	Remuneration for personal and effective attendance at the meetings of the Board of Directors.	€3,000 for each meeting and Director.	The Chairman and the Managing Director will not receive any amount for attendance.
<b>Fixed remuneration for belonging to the Committees of the Board of Directors.</b>	Remuneration for dedication and attendance at the meetings of the Audit Committee and the Appointments and Remuneration Committee.	Audit Committee: €30,000 Appointments and Remuneration Committee: €20,000	The Chairmen of both Committees have a specific remuneration and, accordingly, do not receive this allocation.
<b>Fixed remuneration for the chairmanship of the Committees of the Board of Directors:</b>	Appropriately remunerate the additional dedication of the Chairmen of the Audit Committee and the Appointments and Remuneration Committee.	Audit Committee: €45,000 Appointments and Remuneration Committee: €30,000.	-

These amounts shall remain fixed until the Board of Directors decides to amend them, which shall be reported in the Annual Report on Directors' Remuneration to be submitted annually to the General Shareholders' Meeting for consideration.

No provision is made for the granting of loans, advances or guarantees by the Company to the members of the Board of Directors.

The participation of non-executive Directors in social security systems is not established either, even though this possibility is included in the Bylaws, or compensation for their supervisory and collegiate decision-making functions in relation to the termination of their relationship with the Company due to their status as Directors or granting additional remuneration other than that included above.

## 5. REMUNERATION POLICY APPLICABLE TO NEW DIRECTORS

The remuneration system described above for executive Directors will be applicable to any Director who may join the Board of Directors during the term of this Policy to perform executive duties. To this end, the Appointments and Remuneration Committee and the Board of Directors shall take into consideration, in particular, the functions attributed, the responsibilities assumed, their professional experience, the market remuneration of that position and any other position they consider appropriate to take into account in order to determine the elements and amounts of the remuneration system applicable, as appropriate, to the new executive Director, which shall be duly reflected in the corresponding contract to be signed between the Company and the new executive Director.

Exceptionally, and in order to facilitate the hiring of an external candidate, the Appointments and Remuneration Committee may propose for its decision by the Board to establish a special incentive to compensate for the loss of incentives not accrued in the previous company due to the cessation and subsequent acceptance of Viscofan's offer.

For internal promotions, the Committee may cancel and/or offset pre-existing incentives and other obligations that may be in effect at the time of appointment.

In the event that the new appointment involves an international assignment, the Company's general international assignment policy will apply. This covers (but is not limited to) allowances for the cost of living, housing, moving, education, tax equalisation and tax advice.

In the event that new non-executive members join the Board of Directors during the term of this Policy, the remuneration system described in section 4 above shall apply.

## **6. VALIDITY**

Without prejudice to the provisions of the Corporate Enterprises Act regarding the remuneration policy for board members, the policies and procedures contained herein shall be applicable from the date of approval of the Viscofan General Shareholders' Meeting and shall remain in force for the following three years, except for such modifications, adaptations, updates or substitutions as may be agreed at any time, which shall be submitted for approval to the Viscofan General Shareholders' Meeting.